Platinum Asia Fund

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Performance

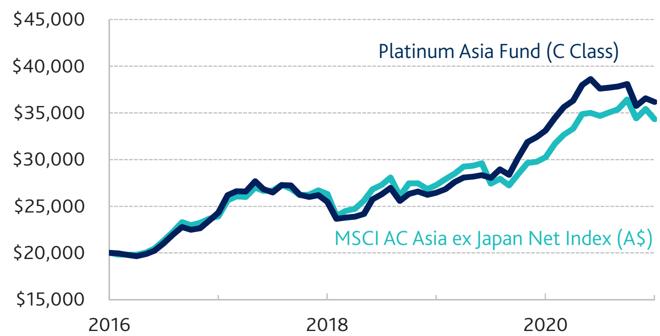
(compound p.a.+, to 30 September 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Asia Fund*	-5%	9%	12%	13%	14%
MSCI AC Asia ex Jp Index^	-6%	14%	9%	11%	10%

+ Excludes quarterly returns
* C Class – standard fee option. Inception date: 4 March 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country Asia ex Japan Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance. See note 1, page 5. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

30 September 2016 to 30 September 2021



After fees and costs, before tax, and assuming reinvestment of distributions. Historical performance is not a reliable indicator of future performance. Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 5.

The Fund (C Class) returned -5.0% for the quarter and 9.2% for the year.[1]

Asian markets sold off sharply early in the quarter, driven by weakness in China, with the MSCI China Index falling -15% in Australian dollar (AUD) terms over the quarter. Markets appear to have stabilised, although investor sentiment towards China has been fluctuating week by week.

The biggest detractors from the Fund's performance during the quarter were concentrated in our Chinese holdings. One small holding, **TAL Education**, suffered a sharp decline (-81% over the quarter) as the after-school tutoring market in China was banned. Chinese technology companies, like **Alibaba** (-35%), **Tencent** (-21%) and **Kingsoft** (-33%), also saw their share prices fall, as investor sentiment towards the country soured and concerns grew around regulatory overhang. **Ping An Insurance** was also marked down (-25%) during the quarter, with some investors selling the stock due to fears around the health of their investment portfolio.

There were a number of bright spots during the quarter though, even within our Chinese holdings. One of these was **Yuan Longping High-Tech Agriculture** (+20% from first entry point during the quarter), a company that is playing a key role in improving agricultural efficiency in China through their portfolio of rice and corn seeds. **AK Medical** (+36% from first entry point) also rose nicely, shortly after our initial purchase, as the results from the public procurement process for hip and knee joints confirmed they had secured a healthy market share at prices that were better than some had expected.

Outside of China, a number of our holdings posted positive results. Indian companies such as **Macrotech Developers** (+55%), **InterGlobe Aviation** (+18%), **ICICI Bank** (+11%) and **IndiaMart** (+20%) all performed strongly, as did Vietnamese retailer **Mobile World Investment** (+26%).

We had two small short positions during the quarter, both of which made a modest positive contribution to performance. The AUD weakened during the quarter, providing a slight tailwind to AUD reported results.

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum Asia Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

Changes to the Portfolio

During the quarter we took advantage of the sell-off in **Tencent** and **Alibaba**, adding back to our positions in both of these Chinese internet powerhouses. While the market frets about regulation, we believe these headwinds are likely only modest drags on their respective businesses, and are more than priced in at this point, presenting an attractive opportunity to increase our exposure to their exciting emerging business areas, such as enterprise software as a service (SaaS), among others.

We also modestly increased our exposure to existing holdings **Noah** and **InterGlobe Aviation**. Noah is a leading domestic wealth management company in China, which provides first-class service for their clients. Over the long term, Noah should benefit as China's demand for financial advice and asset management continues to grow. The firm is led by an entrepreneurial group of founders who built the business into what it is today, and they retain a meaningful ownership position. InterGlobe Aviation is India's dominant low-cost airline, and we added to our holdings during the quarter as we believe investors still weren't fully appreciating how strong the company's position would prove to be once they emerged from the pandemic headwinds.

We continued to introduce new names into the portfolio across a range of areas. These have generally been businesses which we believe are well run and positioned to generate strong shareholder returns over the coming years. Many of these have tended to be medium-sized companies, and as such, our position sizing has tended to be more modest, reflecting the liquidity constraints inherent in such positions. While individually they are smaller holdings, the intention is to build up a collection of such ideas, to provide a meaningful contribution to the overall portfolio.

One example that fits in this category is **Yuan Longping**. Yuan Longping has a leading global position in hybrid rice seeds, as well as a strong position in the Chinese market for a range of other seeds, one of the most promising of which is their position in the fragmented domestic corn seed market. These seed varieties are critical to improving agricultural efficiency and protecting the crops against threats, such as insect infestations. Food security is a topic the government is acutely aware of, and as such, this is an area where foreign players have been somewhat restricted, while Yuan Longping benefits from research and development (R&D) support and collaboration with domestic universities. The company is also competitive internationally, with a footprint throughout Asia and South America. We believe the Chinese seed market is likely to continue evolving and consolidating, while Yuan Longping's strong portfolio of seed genetics should see them emerge as a winner throughout this process.

Disposition of Assets

REGION	30 SEP 2021	30 JUN 2021	30 SEP 2020
China	48%	43%	45%
India	10%	7%	9%
South Korea	9%	10%	13%
Hong Kong	7%	7%	8%
Taiwan	6%	5%	9%
Vietnam	5%	4%	3%
Philippines	2%	1%	1%
Singapore	1%	1%	0%
Macao	1%	1%	1%
Thailand	0%	1%	2%
Cash	11%	18%	9%
Shorts	0%	-9%	-4%

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 SEP 2021	30 JUN 2021	30 SEP 2020
Consumer Discretionary	20%	19%	26%
Financials	15%	13%	11%
Information Technology	14%	17%	23%
Industrials	14%	12%	3%
Real Estate	10%	9%	5%
Materials	4%	3%	3%
Communication Services	4%	2%	10%
Consumer Staples	2%	2%	3%
Health Care	2%	1%	1%
Energy	0%	0%	3%
Other	4%	-6%	-2%
TOTAL NET EXPOSURE	89%	72%	86%

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Another promising mid-sized company we introduced to the portfolio during the quarter was a firm which, among other things, provides software to the electrical grid. Their software helps the grid adapt to the increasingly variable supply and demand dynamics arising from intermittent renewable sources of energy, and a growing electric vehicle fleet.

Other new additions to the portfolio are exposed to thematics such as: tertiary education; aging populations; and a company which is applying cutting-edge artificial intelligence to healthcare.

To fund these purchases, we reduced the size of a number of positions that had performed relatively well, such as **Yum China**, **Samsung Electronics**, **Taiwan Semiconductor Manufacturing**, **Li Ning**, **Sunny Optical Technology** and **AIA**.

We also sold our holding in Thai retailing group **CP All** and completed the switch from Indian bank HDFC into **ICICI**, as discussed last quarter, in response to what we believe was an unwarranted large valuation differential.

Finally, we also introduced two new small short positions.

Commentary

China clearly spooked foreign investors last quarter. While a degree of caution is warranted, it is important to remember that the overall market in China has already sold off sharply and currently reflects a fair degree of negativity. In many parts of the market that are out of favour, it's not uncommon to see share prices already down 50%. We note this primarily to say, that in our minds, the opportunity to profit by panicking early has likely passed. At this point, on the balance of probabilities, we feel fears being priced into parts of the market are excessive and there is probably more money to be made on the long side than on the short. The media and pundits love playing on investors' emotions with charged commentary, posing questions like "is this China's Lehman moment?", or "is China uninvestable?". Such drama seems particularly unhelpful and largely serves to stoke what we suspect is unnecessary fear and confusion.

The primary issue hanging over the Chinese market for the past few months has been concern around the changing regulatory environment and a seemingly more interventionist government approach to the economy. Signs of the changing regulatory environment have been emerging over the past few years, with events such as restrictions on computer games, the halted initial public offering (IPO) of Jack Ma's Ant Financial, and anti-monopoly e-commerce investigations. These regulatory concerns reached a fever-pitch when, in July, the entire for-profit school tutoring sector was essentially told their businesses would have to cease. Then, as if to really drive the message home for investors, just days later, it became clear that China's dominant ride-hailing firm Didi was in trouble with regulators immediately following its IPO on the US market. Following these actions, investors started offloading Chinese shares and the market went into a tailspin.

Then Western media's concerns around property developer China Evergrande Group reared its head, and while that has driven a decline in certain property-related sectors, so far, the impact on the broader market from these concerns seems more contained – despite the occasional apocalyptic headline in the media. It's perhaps worth noting that Evergrande's challenges have been well known for a long time, this hasn't just come out of the blue. Their difficulties in making bond payments and rolling over financing has caused the current heightened scrutiny on the firm and likely signals that a resolution will be forced sooner rather than later.

On the regulatory side, it is clear that the environment has been changing and getting tougher. However, it is important to remember this is a business environment where, frankly, regulation was sorely lacking. While there has been the occasional more extreme or surprising regulatory action, we would contend the bulk of regulations have been fairly sensible and in line with what we are familiar with elsewhere. If you consider many of the anti-monopoly cases for example, the activities under scrutiny would never have been allowed to happen in most developed markets in the first place. Rather than the direction of regulation being particularly unusual, the biggest differences compared to Western markets is the speed with which regulators move and perhaps the more absolute nature of such edicts. Overall, the transition from minimal regulatory oversight to corporates having to behave and comply with laws, could be a bumpy transition, but we don't think the destination is necessarily one to fear.

Turning specifically to Evergrande, our expectation is that some banks and investors could well lose money here and some suppliers may end up taking a haircut on receivables as well. However, that said, it strikes us as unlikely this will prove to be an event that sparks mass contagion. It's worth remembering that the end consumer in China's property market still has a strong appetite for modern housing, and while mortgage debt has been increasing in the country, large down payments have been required for many years, so consumer leverage ratios are not excessively high. Providing assets can be liquidated in an orderly manner, from a system-wide perspective at this point, the event appears very manageable, although of course, only time will tell.

Given all the focus and fears around China, it is worth highlighting that major Chinese property and financial holdings account for around 15% of the Fund's assets. These are primarily in large companies, where our holdings could be liquidated quickly, should we decide that's the best course of action. At this point in time, however, our view is that market fears are overblown and we expect these holdings will likely deliver positive outcomes for investors. We would add that most of the Fund's assets are invested in other prospective opportunities around the region, and are not directly exposed to these more turbulent sectors.

Outlook

While China has recently been a source of concern for many and the economic environment there is softening in places, its shares have already been marked down sharply. As such, barring some extreme and unlikely scenario, we think it is reasonable for long-term investors to expect healthy investment returns from current levels.

It is important to remember that the stock market is a predictive machine, so as investors, we should benefit when people start to feel slightly more positive about the prospects for that country. And let's not forget, there are actually many reasons to remain optimistic about the long-term opportunity, not just in China, but across Asia more generally.

This remains a vibrant dynamic region, with well-educated and driven people, hungry to further improve their living standards. The opportunity for investors in Asia remains bright, and recent fears have led to correspondingly low relative valuations in parts of the region, creating a set-up which is looking increasingly attractive for those able to take the longer-term view.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Taiwan Semiconductor	Taiwan	Info Technology	5.1%
Samsung Electronics Co	South Korea	Info Technology	4.6%
Tencent Holdings Ltd	China	Comm Services	3.9%
ZTO Express Cayman	China	Industrials	3.8%
Vietnam Ent Investments	Vietnam	Other	3.7%
AIA Group Ltd	Hong Kong	Financials	3.5%
InterGlobe Aviation Ltd	India	Industrials	3.4%
Alibaba Group Holding	China	Cons Discretionary	3.4%
Weichai Power Co Ltd	China	Industrials	3.3%
Ping An Insurance Group	China	Financials	3.0%

As at 30 September 2021. See note 5, page 5.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/paf.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

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